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SUBJECT: OMAN TEXTILES INDUSTRY LOOKS TO FTA FOR REBOUND

Summary

¶1. (U) Oman's garment and textiles industry continues to shrink in the post-quota era, but the pending implementation of the U.S.-Oman Free Trade Agreement (FTA) holds out the promise of a modest sector revival in the eyes of Omani government officials and remaining private firms. End Summary.

Not Very Competitive at Present

¶2. (U) On April 1, USTR Deputy Textiles Negotiator Caroyl Miller and Econoff met with Omani Center for Investment Promotion and Export Development (OCIPED) Advisor K. Venkatesan to discuss the promotion of Oman's textile industry under the FTA. Venkatesan replied that the number of players in Oman's textile industry had fallen from 30 to three after the removal of the U.S. quota system. Without the quotas, Oman did not enjoy a competitive advantage over its rivals, since materials and most labor were imported. That being said, Venkatesan noted that OCIPED was looking closely at supporting a revival of Oman's apparel industry once the FTA came into effect, given the organization's goal of reaching \$5 billion in non-oil Omani exports by 2010. He took onboard Miller's suggestions for reaching out to the U.S. market and committed to exploring OCIPED involvement in promoting a trade delegation to the U.S.

¶3. (SBU) In subsequent meetings, both Sami al-Sahib, Director of Industrial Development at the Ministry of Commerce and Industry, and Jameel Sultan, Vice Chairman of the Oman Chamber of Commerce and Industry, echoed Venkatesan's view that the textile industry was in desperate need of incentives under the FTA in order to remain in existence. Sahib stated that once the FTA becomes operational, the Ministry would look into licensing new garment and textile operations, especially to promote the industry in the secondary cities of Salalah, Sohar and Nizwa. He believed that training courses would be necessary in order for company officials to unlock the FTA's potential, and asked for clarification on how towels and bed linens, two popular Omani exports, would be treated under the FTA.

¶4. (SBU) Sultan questioned whether the industry was ready to take advantage of the FTA, given the speed by which it deteriorated in the post-quota era. He remarked, "After the lifting of the quotas, Oman lost everything." Remembering that the industry used to have a "large voice" at the Chamber, Sultan said that garment firms had the potential of

employing a large number of Omanis. He cautioned, however, that, "Time was short for the industry to expand, and it would need time to find ways to benefit from the FTA."

Waiting for the FTA

15. (U) On April 2, Miller and Econoff discussed how the private sector could benefit from the FTA with Yousef Ahmed, CEO of Oman Textile Mills, the only fabric producer in Oman. Ahmed explained that the factory mainly exported its products to the countries of the Gulf Cooperation Council and Sudan. In light of the upcoming implementation of the FTA, Ahmed said that he was looking very closely at entering the U.S market. He found that buying houses were looking away from China toward other suppliers, and that Oman Textile Mills, with the benefit of the FTA, hoped to capitalize on this trend by offering higher-end product lines.

16. (U) Miller and Econoff also visited the premises of Azaiba Clothing Factory, one of three remaining apparel manufacturers in Oman. Managing Director Suleiman al-Kharusi noted that the company reduced its employment rolls from 450 employees to 180 following the removal of the quota. He continued that his firm, owned by the Royal Oman Police Pension Fund, remains in business by producing uniforms for various GCC police and military units, as well as clothing for oil and gas firms. The director expected Azaiba's fortunes to improve dramatically once the FTA enters into force. For this reason, the firm has kept in close contact with its former buyers -- such as the Gap, Wal-Mart, Express, and Tommy Hilfiger -- and retains floor space to accommodate an up-tick in business.

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